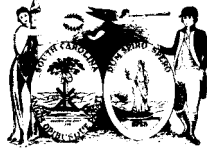


State of South Carolina



Office of the State Auditor

1401 MAIN STREET, SUITE 1200  
COLUMBIA, S.C. 29201

THOMAS L. WAGNER, JR., CPA  
STATE AUDITOR

(803) 253-4160  
FAX (803) 343-0723

September 28, 2005

Ms. Cindi Foster, Controller  
Bamberg County Hospital  
Post Office Drawer 507  
Bamberg, South Carolina 29003

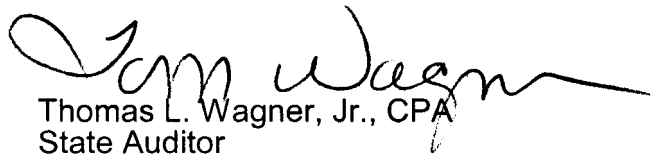
Re: AC# 3-BMB-J0 – Bamberg County Memorial Nursing Center

Dear Ms. Foster:

The accompanying report has been prepared by our office based on your Medicaid Financial and Statistical Report submitted to the Department of Health and Human Services for the cost report period October 1, 1999 through September 30, 2000. That report was used to set the rate covering the contract period beginning October 1, 2001.

We are recommending that the Department of Health and Human Services certify an accounts payable for amounts underpaid as a result of the rate changes shown on Exhibit A. You will be notified of settlement terms by that agency.

If you take exception to this report in any manner, you have the right to appeal in accordance with the Code of Laws of South Carolina, 1976 as amended, Title 44, and Department of Health and Human Services Regulation R.126-150, and you must respond in writing within thirty (30) calendar days of the date of this letter. This written response must address the specific items in the report being appealed, and must be directed to the Appeals and Hearings, Department of Health and Human Services, Post Office Box 8206, Columbia, South Carolina 29202-8206. Any correspondence should include the control number appearing on Exhibit A of this report.

  
Thomas L. Wagner, Jr., CPA  
State Auditor

TLWjr/cwc

cc: Ms. Brenda L. Hyleman  
Mr. Jeff Saxon  
Ms. Kathleen C. Snider

**BAMBERG COUNTY MEMORIAL NURSING CENTER**

**BAMBERG, SOUTH CAROLINA**

**CONTRACT PERIOD  
BEGINNING OCTOBER 1, 2001  
AC# 3-BMB-J0**

**AGREED-UPON PROCEDURES REPORT**

**ON CONTRACT**

**FOR**

**PURCHASE OF NURSING CARE SERVICES**

**WITH**

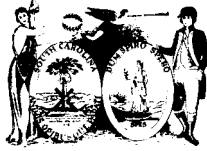
**STATE OF SOUTH CAROLINA**

**DEPARTMENT OF HEALTH AND HUMAN SERVICES**

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# State of South Carolina



## Office of the State Auditor

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### INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

August 31, 2005

Department of Health and Human Services  
State of South Carolina  
Columbia, South Carolina

We have performed the procedures enumerated below, which were agreed to by the South Carolina Department of Health and Human Services, solely to compute the rate change and related adjusted reimbursement rate to be used by the Department in determining the reimbursement settlement with Bamberg County Memorial Nursing Center, for the contract period beginning October 1, 2001, and for the twelve month cost report period ended September 30, 2000, as set forth in the accompanying schedules. The management of Bamberg County Memorial Nursing Center is responsible for the Financial and Statistical Report for Nursing Homes and supporting accounting and statistical records. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the South Carolina Department of Health and Human Services. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.


The procedures and the associated findings are as follows:

1. We selected costs or areas based on our analytical procedures applied to the reimbursable Medicaid program costs as shown on the Financial and Statistical Report for Nursing Homes, as filed by Bamberg County Memorial Nursing Center, to determine if these costs were allowable as defined by the State Plan for Medicaid reimbursement purposes and supported by accounting and statistical records maintained by the Provider. Our findings as a result of these procedures are presented in the Adjustment Report, Summary of Costs and Total Patient Days, and Cost of Capital Reimbursement Analysis sections of this report.
2. We recomputed the Computation of Reimbursement Rate using the adjusted costs and calculated the rate change in accordance with the provisions of the contract between the South Carolina Department of Health and Human Services and Bamberg County Memorial Nursing Center dated as of October 1, 2001 as amended. Our findings as a result of these procedures are presented in the Computation of Rate Change and Computation of Adjusted Reimbursement Rate sections of this report.

Department of Health and Human Services  
State of South Carolina  
August 31, 2005

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on the financial statements or a part thereof. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the South Carolina Department of Health and Human Services and is not intended to be and should not be used by anyone other than the specified party.



Thomas L. Wagner, Jr., CPA  
State Auditor

**BAMBERG COUNTY MEMORIAL NURSING CENTER**

Computation of Rate Change  
For the Contract Period  
Beginning October 1, 2001  
AC# 3-BMB-J0

10/01/01-  
12/31/02

Adjusted Reimbursement Rate	\$112.42
Interim Reimbursement Rate (1)	<u>103.89</u>
Increase in Reimbursement Rate	\$ <u>8.53</u>

(1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated December 6, 2004

**BAMBERG COUNTY MEMORIAL NURSING CENTER**  
Computation of Adjusted Reimbursement Rate  
For the Contract Period October 1, 2001 Through December 31, 2002  
AC# 3-BMB-J0

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 61.85	\$58.68	
Dietary		14.92	11.36	
Laundry/Housekeeping/Maintenance		<u>11.80</u>	<u>9.21</u>	
Subtotal	\$ <u>-</u>	88.57	79.25	\$ 79.25
Administration & Medical Records	<u>\$4.44</u>	<u>7.94</u>	<u>12.38</u>	<u>7.94</u>
Subtotal		96.51	<u>\$91.63</u>	87.19
<u>Costs Not Subject to Standards:</u>				
Utilities		3.28		3.28
Special Services		-		-
Medical Supplies & Oxygen		3.20		3.20
Taxes and Insurance		1.32		1.32
Legal Fees		<u>.14</u>		<u>.14</u>
<b>TOTAL</b>		<u>\$104.45</u>		95.13
Inflation Factor (3.80%)				3.61
Cost of Capital				12.05
Cost of Capital Limitation				(.12)
Profit Incentive (Max. 3.5% of Allowable Cost)				3.66
Cost Incentive				-
Effect of \$1.75 Cap on Cost/Profit Incentives				<u>(1.91)</u>
<b>ADJUSTED REIMBURSEMENT RATE</b>				<u>\$112.42</u>

**BAMBERG COUNTY MEMORIAL NURSING CENTER**  
Summary of Costs and Total Patient Days  
For the Cost Report Period Ended September 30, 2000  
AC# 3-BMB-J0

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&amp;HS</u>	<u>Debit</u>	Adjustments <u>Credit</u>	Adjusted <u>Totals</u>
General Services	\$1,644,273	\$323,507 (1)	\$ -	\$1,967,780
Dietary	530,092	-	55,515 (1)	474,577
Laundry	38,362	-	17,722 (1)	20,640
Housekeeping	159,156	-	8,784 (1)	150,372
Maintenance	155,780	48,550 (1)	-	204,330
Administration & Medical Records	242,538	10,059 (1)	-	252,597
Utilities	93,820	10,543 (1)	-	104,363
Special Services	-	-	-	-
Medical Supplies & Oxygen	13,030	88,783 (1)	-	101,813
Taxes and Insurance	30,118	12,015 (1)	-	42,133
Legal Fees	8,466	-	4,015 (1)	4,451
Cost of Capital	214,021	144,006 (1)	-	383,345
	<u>25,318 (2)</u>	<u>25,318 (2)</u>	<u>25,318 (2)</u>	<u>25,318 (2)</u>
Subtotal	3,129,656	662,781	86,036	3,706,401
Ancillary	305,407	-	293,161 (1)	12,246



**BAMBERG COUNTY MEMORIAL NURSING CENTER**  
Summary of Costs and Total Patient Days  
For the Cost Report Period Ended September 30, 2000  
AC# 3-BMB-J0

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&amp;HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
Nonallowable	<u>103,123</u>	<u>140,465</u> (1)	<u>25,318</u> (2)	<u>218,270</u>
Total Operating Expenses	<u>\$3,538,186</u>	<u>\$803,246</u>	<u>\$404,515</u>	<u>\$3,936,917</u>
Total Patient Days	<u>31,029</u>	<u>786</u> (3)	<u>-</u>	<u>31,815</u>
Total Beds	<u>88</u>			

**BAMBERG COUNTY MEMORIAL NURSING CENTER**  
Adjustment Report  
Cost Report Period Ended September 30, 2000  
AC# 3-BMB-J0

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	General Services	\$323,507	
	Maintenance	48,550	
	Administration and Medical Records	10,059	
	Utilities	10,543	
	Medical Supplies	88,783	
	Taxes and Insurance	12,015	
	Cost of Capital	144,006	
	Nonallowable	140,465	
	Dietary		\$ 55,515
	Laundry		17,722
	Housekeeping		8,784
	Legal		4,015
	Ancillary		293,161
	Other Equity		398,731
	To adjust cost centers per the as-filed Medicare cost report HIM-15-1, Section 2300		
2	Cost of Capital	25,318	
	Nonallowable		25,318
	To adjust capital return to allowable State Plan, Attachment 4.19D		
3	Memo Adjustment To increase patient days by 786 from 31,029 to 31,815 State Plan, Attachment 4.19D		
		<hr/>	<hr/>
	TOTAL ADJUSTMENTS	<u>\$803,246</u>	<u>\$803,246</u>

Due to the nature of compliance reporting, adjustment descriptions and references contained in the preceding Adjustment Report are provided for general guidance only and are not intended to be all-inclusive.

**BAMBERG COUNTY MEMORIAL NURSING CENTER**  
Cost of Capital Reimbursement Analysis  
For the Cost Report Period Ended September 30, 2000  
AC# 3-BMB-J0

Original Asset Cost (Per Bed)	\$ 15,618	\$ 15,618	\$ 15,618	
Inflation Adjustment	<u>2.3848</u>	<u>2.3848</u>	<u>2.3848</u>	
Deemed Asset Value (Per Bed)	37,246	37,246	37,246	
Number of Beds	<u>22</u>	<u>22</u>	<u>44</u>	
Deemed Asset Value	819,412	819,412	1,638,824	
Improvements Since 1981	237,255	26,291	-	
Accumulated Depreciation at 9/30/00	<u>(425,058)</u>	<u>(326,995)</u>	<u>(106,119)</u>	
Deemed Depreciated Value	631,609	518,708	1,532,705	
Market Rate of Return	<u>.058</u>	<u>.058</u>	<u>.058</u>	
Total Annual Return	36,633	30,085	88,897	
Return Applicable to Non-Reimbursable Cost Centers	-	-	-	
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>	<u>-</u>	<u>-</u>	
Allowable Annual Return	36,633	30,085	88,897	
Depreciation Expense	56,642	72,072	123,823	
Amortization Expense	10,706	-	-	
Capital Related Income Offsets	(6,507)	(7,626)	(21,380)	
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>	<u>-</u>	<u>-</u>	<u>Total</u>
Allowable Cost of Capital Expense	97,474	94,531	191,340	\$383,345
Total Patient Days (Actual)	<u>7,954</u>	<u>7,954</u>	<u>15,907</u>	<u>31,815</u>
Cost of Capital Per Diem	\$ <u>12.25</u>	\$ <u>11.88</u>	\$ <u>12.03</u>	\$ <u>12.05</u>

**BAMBERG COUNTY MEMORIAL NURSING CENTER**  
Cost of Capital Reimbursement Analysis  
AC# 3-BMB-J0

6/30/89 Cost of Capital and Return on Equity			
Capital Per Diem Reimbursement	\$ 7.79	\$ N/A	\$ N/A
Adjustment for Maximum Increase	<u>3.99</u>	<u>N/A</u>	<u>N/A</u>
Maximum Cost of Capital Per Diem	<u>\$11.78</u>	<u>\$11.88</u>	<u>\$12.03</u>
Reimbursable Cost of Capital Per Diem *		\$11.93	
Cost of Capital Per Diem		<u>12.05</u>	
Cost of Capital Per Diem Limitation		\$( <u>.12</u> )	

\* ((7,954 x 11.78) + 94,531 + 191,340)/31,815

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